



THE CITY OF SAN DIEGO

MANAGED COMPETITION INDEPENDENT REVIEW BOARD

**AMENDED MEETING MINUTES**

Thursday, October 13, 2011, 9:00 a.m.

San Diego Concourse, 202 "C" Street, 2<sup>nd</sup> Floor  
Copper Room

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Call to order at 9:04 **ap**.m. by Chair Faye Wilson

**I. ROLL CALL:**

**Members Present:**

Faye Wilson (Chair)  
Charles Kim  
Steve Stroebel  
Judith Wenker

Debra Fischle-Faulk  
Mary Lewis  
Andrea Tevlin

**Staff Present:**

Wally Hill, Assistant Chief Operating Officer  
Bill Gersten, Deputy City Attorney  
Hildred Pepper, Director, Purchasing & Contracting  
Elvia Sandoval, Executive Assistant

**II. PUBLIC COMMENT:**

Public Comment was provided later in the meeting.

**III. APPROVAL OF MINUTES FOR:**

- May 11, 2011
- August 25, 2011

The meeting Minutes of May 11 and August 25 were approved unanimously, (7-0).

**IV. DISCUSSION AND POSSIBLE ACTION REGARDING THE FLEET SERVICES  
COMPETITION PROPOSALS**

While copies of the reports were being made for the public in attendance, the Cost and Technical Evaluation Committees were asked to summarize their findings:

- **Cost Evaluation Committee – Assessment of Proposals**

Steve Stroebel reported that the Cost Evaluation Committee (CEC) evaluated four (4) bids, two (2) from City, and two (2) from outside vendors. The outside vendors failed on the 10% Minimum Cost Differential requirement and that left the two (2) city bids qualifying for further evaluation. CEC found some technical errors in the Employee Proposal Team (EPT) bids; some costs were not fully accounted for, but they would not have changed the results in comparison to the outside vendors. The EPT-1 Bid provided the most savings compared to the EPT-Alternate bid. That was their evaluation and recommendation. Discussion followed. There were

questions about the parts function that is proposed to be contracted out, including both the parts themselves and inventory management, and what the procurement process would be for that. Hildred Pepper, Director of Purchasing and Contracting Department responded: Option 1 is to use a cooperative purchasing agreement process to purchase parts and manage inventory, Option 2 would be to go through our own formal RFP process. It depends on the recommendation from the employee proposal team, and whether that nature of services is already available through a cooperative purchasing agreement. It was asked if the cost is known? The response was that it was a basis for evaluation and a fair number to use in the cost evaluation. Both bids were based on Napa and could go through a different RFP process, and EPT-1 included staff reductions related to inventory management, EPT-Alternate bid included staff for inventory management.

Questions arose pertaining to the computer system issues with SAP coordination. Fleet Focus does not currently integrate with SAP; EPT proposed a third party server hosting process and this has to be examined in light of the City's IT strategy for integration of IT outsourcing. The City is invested in the SAP computer system and an IT outsourcing strategy will need further investigation. Security and internal control issues will need to be addressed and that could add to the overall cost to the City. It needs further review by IT governance to see if it fits into the City's IT strategy.

- **Technical Evaluation Committee – Assessment of Proposals**

Charles Kim reported that the Technical Evaluation Committee (TEC) examined four (4) bids, two (2) from City, and one (1) outside bid. The TEC conclusion finds that both EPT bids are responsive and fulfill all of the technical aspects of the RFP. Regarding the two EPT bids, the TEC determined that the EPT-1 bid is preferable over the EPT-Alternate bid. After much discussion with respect to the provision of parts service - the EPT-1 provides for an outside vendor to provide part services, and EPT-Alternate retains part services in-house. Based on the technical review, the TEC recommends to the full Board that the City accept the EPT-1 bid.

There was a discussion about whether the 10% cost differential test should apply to the Parts portion of Employee bid 1, to address the issue of transition costs as a result of utilizing an outside provider. The TEC noted that both employee bids were far below the 10% threshold and that significant savings were achieved through both employee proposals. The TEC concluded in their evaluation that the cost risks of transitioning to an outside Parts provider would be minimal. They also raised the complexity of identifying costs specifically for the Parts function of the bid and being able to compare it to the NAPA proposal. It was also discussed that the NAPA bid had expired and that the City would need to conduct an RFP or utilize an existing cooperative agreement to ascertain the actual costs of utilizing an outside parts vendor. The CEC noted they had discussed this issue as well and that the savings associated with going outside for parts management was significant-\$4 million over five years and that the 10% differential test applies to the entire bid.

Mr. Kim noted that it was difficult for outside bidders to be successful in this process. He suggested the City consider unbundling service for future competitions. The Board also discussed having a workshop type meeting to discuss this and other issues regarding the process.

A question was posed by Debra Fischle-Faulk to Wally Hill on how they will move forward with the technical process since the EPT will not be eliminating their own technology. Mr. Hill stated that the IT Department would need to review the proposal and see if they agree with that process

or not. If they do not, then that may cause a reevaluation of the employee proposal team's proposed business process.

Mary Lewis added that now that they have completed two Managed Competitions (MC) to-date, it is now needed to do a better job on educating the employee groups on IT governance and strategy. MC is a tool for the Mayor, Managers, and City Council to bring competition to the City, and so it is not all of one piece. There are policies that the City needs to continue with and can maintain. It does not disrupt the bid process if a decision is made to send an application to a third party host. It is the prerogative of management to continue with this process but it needs to be within City IT policies and strategic plan.

Chair Faye Wilson stated that while both EPT bids were responsive, there is one with a cost advantage, although there are issues contained within them. She posed the question as what the Board would want to do at this point, or does this need further study, or whether they had come to the point that they have studied all that they were mandated? The Board responded:

- Charles Kim: Prepared to make a recommendation.
- Steve Stroebel: IT issues and parts management issue – going forward, the side issues will distract from the true savings which is the bulk of the savings in EPT-1, and he recommends moving forward with EPT-1. The parts sourcing will go to bid and 10% rule will also apply to that bid.
- Andrea Tevlin: Recommend to the Mayor that Fleet Services be awarded to the employee team without making a recommendation as to which proposal. Unresolved issues regarding IT costs and results of Parts RFP need to be addressed through other City processes before decision is made; bids are very close and these issues could impact costs. There is not enough information to make a decision.
- Mary Lewis: Recommends EPT-1. RFP for inventory management should be evaluated and there is a process that the employee group would follow to get that moving forward.

**Motion: To recommend to the Mayor that the contract be awarded to the Fleet Services EPT-1. Not contingent to this motion, but processes that need further examination are: RFP Parts Bid evaluation process and IT governance issues. Motion tabled.**

Discussion of the motion took place with Debra Fischle-Faulk proposing that the Board recommend to the Mayor the acceptance of EPT1, and include as part of the motion the unresolved issues of RFP parts bid process and IT governance.

Wally Hill asks the Board to keep in mind that there may not be an RFP process for parts if there is an existing cooperative purchasing agreement that can be used although the cost is unknown. Also, there are limitations that the employee proposal teams operate under; they are not permitted to solicit proposals on their own, and this should not be viewed as a deficiency on their part. He stated that Deputy City Attorney Bill Gersten's advice is appropriate, to include in the motion that there were no independent contractor bids that met the 10% cost differential.

Mr. Kim stated that the RFP parts bid and IT issues need to be resolved. He also proposed to amend his motion to include that there were no outside bidders that met the 10% threshold.

Chair Wilson stated that a vote on the motion was necessary, and following the motion, the Board would need to discuss what language to use in the recommendation to the Mayor, along with that they could incorporate a list of the other important unresolved issues, and that there were no outside qualified bidders. As this is a recommendation of the Board, the final decision rests with the Mayor.

Mr. Kim stated that the best solution would be to keep the motion as is and make a separate part of the motion to incorporate everyone's comments.

Ms. Tevlin asked that the vote be conducted in two motions – the first motion to award to the employees without designation of which proposal, and the second motion to award to the specific employee proposal.

Mr. Kim amended his motion to recommend that the bid be awarded to the Fleet Services Employee Proposal Teams and vote separately in two motions.

**Amended Motion: To recommend to the Mayor that the contract be awarded to the Fleet Services Employee Proposals. (6-0)**

**Motion: To recommend to the Mayor that the contract be awarded to the EPT-1. And also recommend that the City proceed with the IT governance review and procurement process for the parts and parts inventory management function. (5-1)**

Based on both of the Committee's review and evaluation of the bids to recommend EPT-1 to the Mayor, Chair Wilson, as part of the Managed Competition process, requested that the Board work on the contents of the correspondence that would be submitted to the Mayor. The items that should be included in the correspondence are: there were no outside qualified bidders, both employee proposals were qualified and responsive, and unresolved issues that require review and resolution (IT governance, and parts bid process/RFP or existing cooperative, Chair Wilson suggested that to be most efficient, Wally Hill and Deputy City Attorney Bill Gersten would draft the correspondence and circulate to all the Members to ensure that all are in agreement on the wording and issues that were addressed.

## **V. STATUS REPORT ON MANAGED COMPETITION PROJECTS**

Assistant Chief Operating Officer Wally Hill briefed the Board on upcoming Managed Competition projects:

<b>Managed Competition Project</b>	<b>Proposed Issue of RFP</b>	<b>Proposed Start of MCIRB Proposal Evaluation</b>	<b>Proposed End of MCIRB Proposal Evaluation</b>
Street Sweeping	RFP already issued	November 21, 2011	February 17, 2012
Landfill		April 23, 2012	July 18, 2012
Customer Service – Public Utilities		April 26, 2012	July 23, 2012
Street/Sidewalk Maintenance		May 16, 2012	August 24, 2012
Capital Improvement Projects Delivery (CIP)		July 31, 2012	October 23, 2012

This table reflects all the Managed Competition projects that have been approved by City Council, with exception of Street/Sidewalk Maintenance and CIP Delivery, and that will be evaluated by MCIRB. There are no time limits on how long MCIRB can evaluate the proposal so these are proposed dates as to when MCIRB will likely receive the proposals and the deadlines. The City will alert the Board of any changes that may occur to this timetable.

## **VI. DISCUSSION REGARDING POSSIBLE REVISION TO THE MCIRB MANAGED COMPETITION EVALUATION PROCESS ADOPTED IN APRIL**

Chair Wilson announced that a clarification to the Refined MCIRB Evaluation Process was needed for non-responsive proposals (Attachment 1). The language below was added to Step 1:

- d. If Screening Committee determines proposal(s) to be non-responsive, this recommendation is forwarded to MCIRB to confirm or reject.
- e. Screening Committee provides other questions and conclusions in writing to Cost Evaluation Committee (CEC). Additional applicable questions may also be provided to the Technical Evaluation Committee (TEC).

MCIRB Chair, together with the Assistant Chief Operating Officer, will provide coordination and oversight of Committee work. Hence, the MCIRB Chair will not serve on Committees but will attend based on her discretion. All Chairs should include the MCIRB Chair on Committee invite lists. Coordination of meeting times and location should be handled through the Business Office.

Discussion to institute a best practice process was suggested by disseminating Committee Reports in advance to MCIRB meetings to Board members and the public.

**Amended Motion: Amend the process to require a minimum of 72 hours of notification prior to Board meetings for Committee Reports to be disseminated to the Board and the public. To incorporate the changes to the Refined MCIRB Managed Competition Evaluation Process as stated above. (7-0)**

## **VII. DESIGNATION OF BOARD MEMBERS FOR UPCOMING COMPETITIONS**

Members discussed the Committee assignments to the next competition – Street Sweeping – and agreed to the following:

<b>Street Sweeping Managed Competition</b>	<b>Board Member Assignment</b>	<b>Board Member Assignment</b>
<b>Screening Committee</b>	Steve Stroebe	Mary Lewis
<b>Cost Evaluation Committee</b>	Andrea Tevlin	Charles Kim
<b>Technical Evaluation Committee</b>	Debra Fischle-Faulk	Judith Wenker

## **VIII. DISCUSSION REGARDING POSSIBLE CONSULTANT SUBJECT MATTER EXPERTS FOR COMPETITIONS**

Wally Hill provided a background on this item: The Landfill competition and the Public Utilities Customer Service competition both have funds available for a consultant. If the Board feels it would be useful to the MCIRB or Technical Committee to have the use of a consultant as a subject matter expert for these two competitions, then the City would move forward with the RFP process to select a consultant. This is a lengthy process and that is why it is being brought

to Members attention. Mr. Hill also extended an invitation for Members to sit on the consultant selection committee. After discussion, Members agreed to the proposal.

Chair Wilson offered another opportunity to speak for members for Public Comment. The following members of the public spoke:

- **Cathleen Higgins, MEA Labor Union Representative**

Cathleen Higgins stated that she was the author or the Employee Proposal Team-Alternate bid and felt frustration of being left out of any discussion that could have answered MCIRB questions pertaining to the bids. She extended an invitation to speak with Members concerning the factors and background that lead to reasons why the employee's decided on creating an alternate bid.

- **Damian Tryon, AFSCME Local 127 Representative**

Damian Tryon stated his frustration with the following managed competition processes that create limitations on employee bids:

1. IT governance – the City now wants the bids to use only one computer system and he feels this does not allow the employees to think outside the box.
2. Personnel classifications – are set up as “best guesses” which are difficult to determine and can’t be fully vetted in managed competition process.
3. RFP options – employees should be allowed to present “options” to expand and enhance services and grow to become more efficient.

Following Public Comment, Board members asked about the RFP structure limitations, RFP efficiency options, and other general questions and issues about process. Wally Hill stated that these issues would need to be on the agenda before discussion could occur, but could be placed on a future agenda as a discussion item. Chair Wilson and the Board agreed to schedule a meeting to discuss these organizational matters.

## **IX. ADJOURNMENT**

**Meeting Adjourned: 10:23 a.m.**